

DEFENSE ENERGY SUPPORT CENTER
DETERMINATION AND FINDINGS
AUTHORITY TO ENTER INTO MULTIYEAR CONTRACTS

Pursuant to FAR 17.105-1(b) and DFARS 217.170(a) and 217.172(b), which list the criteria for use of multiyear contracting, I hereby make the following Findings and Determination as Center Senior Procurement Official.

FINDINGS

1. The Defense Energy Support Center (DESC) proposes to enter into multiyear contracts for the following purchase programs: Bulk Lubricants; Ships' Bunkers; Coal; Into-Plane; Posts, Camps, and Stations (PC&S); Electricity; and Natural Gas. These programs include both negotiated and sealed bid procurements. These programs include both negotiated and sealed bid procurements in support of the U.S. military departments worldwide. This D&F is to be used when the criteria of these findings are met in soliciting requirements for supplies.

2. Multiyear contracts for supplies and related services are fixed price with economic price adjustment.

3. FAR 17.105-1 (b) states that when the five criteria of this paragraph can be met, then multiyear contracting may be used. Specifically, the multiyear contracting criteria delineated will be met as detailed below:

- (a) The use of such contracts will result in reduced total costs. Competition will be enhanced thereby resulting in lower offer prices overall. The Government will benefit from reduced administrative costs in the placement and administration of contracts due to the extended contractual periods.
- (b) The minimum need for the supplies to be purchased will remain substantially unchanged during the periods of the resultant multiyear contracts in terms of total requirements.
- (c) There is a stable design for the supplies to be acquired, the technical risks associated with such supplies are not excessive, and there is a continuing requirement for the supplies.
- (d) Throughout the contract period, funds will be available because DESC uses revolving funds, which do not expire at the end of each fiscal year. Therefore, there is a reasonable expectation that contracts will not be cancelled due to funding constraints.
- (e) The estimates of both the costs of the proposed multiyear contracts and the cost avoidance through the use of multiyear contracting are realistic.

4. Multiyear contracting is in the best interest of the Government in that it promotes the national security of the United States.

5. In accordance with the determination required by DFARS 217.170(a), multiyear procurement represents the lowest cost to the Government through the use of present

value analysis. Under present value analysis, future prices are discounted to permit meaningful comparisons with current prices. The concerns addressed by present value analysis are satisfied here because:

a. Avoiding yearly procurements will result in significant administrative savings through avoided printing and labor costs;

b. The solicitation contains an economic price adjustment provision that will reflect market fluctuations, or, for coal, labor and transportation costs and the cost of land reclamation; and

c. The solicitation will either, (1) contain a 30 percent minimum guarantee, which based on historical experience, DESC will easily meet; or (2) do not obligate the Government to purchase a specific quantity of supplies.

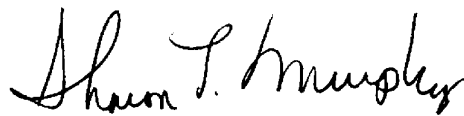
Furthermore, Contract Specialists will prepare a "Memorandum for the Record" for each individual acquisition that addresses "Present Value Analysis" for that procurement.

6. DESC expects to meet these criteria on a continuing basis for the foreseeable future.

DETERMINATION

Based on the foregoing Findings and previous multiyear procurements, I hereby authorize the use of multiyear contracts for supplies and related services. This Determination applies to any resultant contracts awarded under solicitations issued from October 1, 1999 through September 30, 2000.

9 Aug 99
DATE



SHARON L. MURPHY
DESC Center Senior Procurement Official